

# Glossary Of Automobile Insurance Terms

**Agent:** An insurance sales person. a) An independent agent does not work for any insurance company and sells the policies of more than one insurer; b) an exclusive agent sells the policies of only one insurance company.

**Arson:** The willful and malicious burning of, or attempt to burn, any structure or other property, often with criminal or fraudulent intent.

**Automobile Insurance Plan:** A state supervised insurance plan for people who cannot find automobile insurance (this may also be referred to as the Assigned Risk Plan). Each driver in the plan is assigned to an insurance company. The cost of this insurance is higher than in the regular market.

**Automobile Physical Damage Insurance:** Coverage to pay for damage to or loss or policyholder's automobile resulting from collision, fire, theft or other perils.

**Binder:** A temporary written or oral insurance contract which is effective until it is replaced by a regular policy.

**Catastrophe:** In insurance, a term applied to an incident or series of related incidents causing insured property losses totaling more than \$5 million.

**Claim:** A person's request for payment by an insurer for a loss covered under a policy. Your claims to your company are "first-party claim." Claims made by one person against another person's company are known as "third-party claims."

**Claimant:** A person who files a claim with an insurance company.

**Collision Coverage:** Optional insurance which pays for damage to your automobile caused by collision with another automobile or object, or by rolling the car over. Frequently required if you have a car loan.

**Comprehensive Coverage:** Optional insurance which pays for damage to your automobile caused by things other than collision or rolling the car over such as fire, theft, vandalism, flood or hail. This is frequently required if you have an automobile loan.

**Compulsory Insurance:** Any form of insurance which is required by law.

**Conditions:** Part of an insurance policy which states your obligations and those of your insurance company in order for the policy to be in effect.

**Coverage:** The scope of protection provided under a contract of insurance; any of several risks covered by a policy.

**Deductible:** The amount which you agree to pay, per claim or per accident. This is subtracted from the total amount paid by your insurer. If the claim is \$500 and your deductible is \$100, you pay \$100 and your insurance company will pay \$400. The higher the deductible, the lower your premium will be for the policy.

**Exclusions:** Provisions that explicitly limit the coverage provided by a policy.

**Insurance:** A system under which individuals, businesses and other organizations or entities, in exchange for a payment of a sum of money (a premium), are guaranteed compensation for losses resulting from certain perils under specified conditions.

**Insurance Company:** A company which, in exchange for a fee (known as a premium), agrees to pay all legitimate claims that may arise under your policy

**Insurance Department:** Enforces rules for the insurance business in each state. Source of information about all types of insurance; also handles consumer inquiries and complaints.

**Insured:** Person or organization covered by an insurance policy

**Insurer:** The provider of insurance, such as an insurance company or other organization.

**Liability Coverage:** Insurance which pays the losses of other people, which you caused unintentionally or through negligence.

**Liability Limits:** The largest amount of money an insurer will pay in case of a covered loss.**Loss:** The basis on which an insurance claim is submitted and/or paid.

**Medical Payments Coverage:** A form of insurance that pays for medical and funeral expenses regardless of liability.

**Negligence:** Failure to exercise a generally acceptable level of care and caution.

**Policy:** A contract of insurance.

**Policyholder:** The person who buys insurance.

**Policy Period:** The amount of time an insurance contract (policy) lasts.

**Premium:** The amount you pay for insurance coverage.

**Pro Rata Cancellation:** Cancellation of the policy by the insurance company. All unearned premium is returned to the insured.

**Proof of Loss:** Documents that you give to the insurer to support your request for payment of losses. The company uses these documents to determine whether and how much it will pay. (Ex.: Police report and written repair estimates from automobile body shops.)

**Provisions:** A list of actions a policyholder must take in order to make an insurance claim. Included in provisions can be additional specifications of the insurer's responsibility to the insured.

**Rate:** The pricing factor upon which the insurance buyer's premium is based.

**Risk:** The chance of loss.

**Short Rate Cancellation:** Cancellation of an insurance policy by the insured. Return premium is calculated on a short rate basis, meaning the insurance company keeps a portion of the unearned premium to cover expenses.

**Substandard:** A greater than normal risk to an insurer.

**Surcharge:** An additional charge allowed when a company pays a claim on your behalf.

**Underinsured Motorist Coverage:** A form of insurance which provides coverage when the liability coverage of the at-fault party is inadequate to cover the amount of damages or injuries.

**Underwriting:** The process of selecting risks for insurance and determining in what amounts and in what terms the insurance company will accept the risk.

**Uninsured Motorist Coverage:** A form of insurance which covers the policyholder and family members if injured by a motorist who carries no liability insurance, assuming the other driver is at fault, or if injured by a hit and run motorist.